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August 2, 1996

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, NW, Room 222  
Washington, DC 20554

DOCKET FILE COPY ORIGINAL

Dear Mr. Caton:

Re: *CC Docket No. 96-45, Federal-State Joint Board on Universal Service*

On behalf of Pacific Telesis Group, please find enclosed an original and six copies of its "Comments" in the above proceeding.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,

*Alan F. Ciamporcero*

Enclosure

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WASHINGTON, DC 20554

In the Matter of

Federal-State Joint Board on Universal Service

CC Docket No. 96-45

**COMMENTS OF PACIFIC TELESIS GROUP**

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Date: August 2, 1996

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**COMMENTS OF PACIFIC TELESIS GROUP**

Pacific Telesis Group files these responses to the 72 questions posed by the Federal Communications Commission ("FCC" or "Commission") in its Public Notice dated July 3, 1996 (DA 96-1078).

**Summary**

Our responses to these questions reinforce the arguments made in our Comments and Reply Comments. A new high cost fund must be established to, at a minimum compensate carriers for serving areas in which basic service rates do not cover the costs of providing service.

The Commission should require all carriers serving a particular geographic area to provide the same core set of universal services, so that true competition can develop.

We believe that proxy models such a Pacific's Cost Proxy Model can develop the appropriate level of projected costs across small geographic units. The smaller the geographic unit used the more precise and accurate the subsidy will be. An appropriately sized subsidy will meet the requirements of the Telecommunications Act and, more importantly, will ensure that companies will continue to serve high cost areas while recovering their costs.

We support a further proceeding on competitive bidding so that market forces will produce an appropriate subsidy level. However, initially, the subsidy should be set using a Cost Proxy Model. We believe that any model which sets the appropriate level of subsidy can be used for Universal Service. We support our own Cost Proxy Model, which is designed to accurately predict the costs of serving an area.

Since filing comments in this proceeding we have had the opportunity to work with other companies, as well as members of the education, library and health care communities on developing on a proposal for funding Universal Service to schools, libraries and health care providers. We have sought to develop and refine a mechanism that places purchasing power in the hands of those who need the services, enhances competition, and minimizes regulation and administrative overhead. We believe the following proposal, in which eligible schools, libraries and health care providers will receive purchase credits from the Universal Service Federal Education Fund which they may use to purchase eligible telecommunications services, satisfies these goals.

We acknowledge that this proposal is somewhat different from what we advocated in our comments. There, we urged the Commission to adopt Universal Service policies for education, libraries and the health care sector by specifying a baseline package of services, based on the ISDN product. We still believe that proposal is valid, as witnessed by our Education First campaign which also centers around ISDN. However, we have learned in the past months that schools, libraries and health care providers want to be able to choose a mix of services. Those choices may -- and most likely will -- include ISDN, but may also extend to other services. Our proposal affords schools, libraries and health care providers maximum purchasing flexibility, while maintaining controls against "gold-plating" by limiting the available purchase credits to a formula tied to the number of students served, and supplemented in appropriate cases to account for economic disadvantage and high cost geography.

With the "purchase credits" proposal in mind, we respond to the Commission's questions.

### **Definitions Issues**

1. Is it appropriate to assume that current rates for services included within the definition of universal service are affordable, despite variations among companies and service areas?

Yes. The FCC is contributing to the affordability of basic rates today. Through the mechanism of separations, the FCC covers 25% of the cost of the loop by allocating it to the Federal jurisdiction and covering that portion of every LEC's revenue

requirement for the local loop through the CCLC and the EUCL. To continue the affordability of telephone service, the FCC should first see that the subsidy system in place today is brought into the world of competition by making it explicit, sufficient, predictable, funded with a competitively neutral mechanism, and made available to all providers. This is in accordance with Section 254(i) which provides that affordability is to be determined by "the Commission and the States."

Affordability may vary among regions. Variations in prices for local service do not necessarily indicate an affordability crisis. Affordability is dependent on many factors, many of which are unrelated to the price for local service. Local service is a small part of the total dollars paid for telephone service. Our studies have shown that the local service portion of the telephone bill is normally not the part of the bill that causes consumers to not be able to afford telephone service<sup>1</sup>

The Commission should look to present prices to determine affordability. Current rates have been set by 51 different Commissions looking at a variety of consumer input, feature trade-offs, price trade-offs etc. The results of that process have produced universally available, affordable telecommunications services as proven by overall subscribership levels of 95% nationwide. The FCC and the States must ensure that such affordability is preserved when setting the rules for universal service.

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<sup>1</sup> Field Research, Affordability Study, 1996 page 71.

2. To what extent should non-rate factors, such as subscribership level, telephone expenditures as a percentage of income, cost of living, or local calling area size be considered in determining the affordability and reasonable comparability of rates?

States, in making the determination of what local phone service rates are appropriate, should and probably do consider many of these factors. However, the FCC does not need to take those into account. Doing so would be a duplication of resources and of efforts already undertaken at the state level. Instead, the FCC can address factors such as affordability by targeting specific efforts through Lifeline service and other programs. Reasonable comparability of rates does not mean that rates need to be identical within each state or throughout the country. Reasonable comparability simply should mean that the rates across the country be set in accordance with the requirements of the local state commissions, taking into account costs, income levels and willingness and ability to pay.

3. When making the "affordability" determination required by Section 254(i) of the Act, what are the advantages and disadvantages of using a specific national benchmark rate for core services in a proxy model?

First, the "affordability" determination under Section 254(i) is a joint state and federal obligation. The language of the Act leaves no room for discussion on this point:

"Consumer Protection. The Commission and the States should ensure that universal service is available at rates that are just, reasonable, and affordable." Section 251(i) (emphasis added).



In part, we note this matter because it has a direct bearing on the answer to question 1 above (are current rates affordable), in that affordability is largely a state determination that will vary from state to state. Moreover, the plain language of the Act would immediately call into question any effort to proclaim a "national affordability" standard.

Second, its not clear to us what "using a specific national benchmark rate for core services in a proxy model" means. If the notion is to compare a national affordability benchmark rate to cost proxy results for purposes of determining how much interstate funding a company should receive, there could be some jurisdictional separation difficulties.

To understand why, it is necessary to start with current jurisdictional assignments and current interstate universal service funding. Today, the End User Common Line (EUCL) and the Carrier Common Line (CCL) rates of the interstate access charge structure is an integral part of the interstate universal funding mechanism.<sup>2</sup> It is enlarged, for certain high cost companies, with funding from the Universal Service Fund. The level of the funding is a function of two formulas adopted by a Joint Board

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<sup>2</sup> Any one doubting this proposition only need review the FCC's decision adopting access charges, where the Commission specifically noted that universal service was one of its four main objectives in establishing access charges. MTS and WATS Market Structure, 93 FCC2d. 241, 251 (1983) recon 97 FCC2d. 682, 683 (1983). In addition, it can be argued that all other contribution (price in excess of incremental cost) is a critical funding aspect of universal service. This would include, most notably, the Residual Interconnection Charge (RIC) associated with switched access transport. However, on the question of loop costs and loop costs recovery there isn't any question that the current interstate EUCL and CCL are interstate universal funding mechanisms with the clear aim of keeping basic rates low.

pursuant to Section 410(c) of the act and approved by the Commission. The first formula, the "25% allocator" assigns 25% of loop costs to the interstate jurisdiction, and those costs are recovered through the EUCL and the CCL charges imposed on end users and interexchange carriers, respectively. The second formula provides extra interstate funding for high cost companies with loop costs well above the national average.

Funding determined by comparing a "national benchmark rate" with proxy costs would require either (1) a change in jurisdictional separations; (2) a true-up of other interstate prices or (3) a restriction in a company's high cost federal funding to current levels of federal CCL and USF. This is because the interstate amounts now received are tied to existing formulas (e.g., the 25% allocator), and the new amounts would be different. For instance, under a "national benchmark rate" (whether an affordability benchmark or a benchmark establishing the threshold for high cost funding) some companies would receive more interstate funds to support universal service, while other would receive less.<sup>3</sup>

If a separations change were used to correct this shift, a new jurisdictional formula would have to be developed, adopted by the Joint Board and approved by the Commission, setting new interstate funding levels for each company and, most likely, each company's study area (state). The size of the change, of course, would be a

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<sup>3</sup> For example, assume Company A receives \$100M from EUCL and CCL and Company B receives \$105M. Assume under a "national benchmark rate" cost proxy comparison Company A is entitled to only \$90M while Company B can now claim \$125M. Each company's jurisdictional assignment to the interstate jurisdiction would need to be changed to match the new interstate payments.

function of what national benchmark were adopted, what current levels of funding exist by company, and what costs are predicted (by a cost proxy model or otherwise).

Changes in jurisdictional revenue requirements should, to the extent possible, be avoided, particularly for the near term. The focus of the Commission should be on implementing the Act to make consumers better off, not applying pressure on basic rates through jurisdictional separation changes.

If a true-up were used to correct this shift, a company would need to adjust interstate rates to account for the net increase or decrease in interstate recovery due to the creation of this fund.

For example, a company that currently receives \$100 million from the interstate jurisdiction (e.g. CCLC and USF) and serves high cost areas resulting in funding from the new fund of \$110 million, would need to reduce its interstate price(s) by \$10 million so that no jurisdictional shift occurs.

The third method restricts federal funding under the new program to current levels of CCL and USF. Cost proxies could then be used to distribute current interstate funding to high cost areas within a state on a per line basis. For example, cost proxies could be the basis for establishing how much interstate funding, on a per line basis, could be recovered by qualified carriers in discrete geographic areas. The total amount of interstate funding for any company would not change, but it would vary between high cost and low cost areas based on the cost proxy and company-specific benchmark rates. This would mean that qualified carriers could receive per line funding at a higher level in high cost areas, yet much lower levels in dense, urban areas where costs are

much lower. Over time, the company-specific benchmark rates could transition to a single nationwide value.

Compatible state mechanisms can fund high cost areas below the national benchmark. In California, the state universal service fund can fund the difference between basic exchange rates (including EUCL) and costs established through a cost proxy. The difference is determined on the basis of discrete (Census Block areas) geographic areas. Qualified carriers can then claim against this fund for customers they win in each specific geographic area. Any funding received from the interstate jurisdiction is acknowledged and accounted for in this state process, to avoid double recovery.

A key disadvantage to a specific national benchmark rate is if a state were forced to bring its local rates up to the national benchmark in order to qualify for federal universal service support. Such a requirement would undermine states' efforts to keep local rates lower for various reasons particular to that state, and would penalize the LEC for complying with state mandates.

4. What are the effects on competition if a carrier is denied universal service support because it is technically infeasible for that carrier to provide one or more of the core services?

The Commission should determine the quality of service standards, the definition of core universal service and the additional services that must be made available by a qualified universal service provider. In order to avoid creating a competitive advantage, it should do so without regard to the carriers involved

Competition will be harmed if carriers operating in the same geographic area are allowed to deviate in the core services they provide to their customers for universal service. This definition could, however vary from geography to geography. If a rural area exists in which it is difficult to provide some core service, then the Commission could issue different standards for that area. But to keep competition fair and even, the same core services should be required of all competitors in that geographic area.

Alternately, in a specific situation, a carrier could apply to the Commission for a waiver under section 1.4 of the Commission's Rules based on the specific facts and circumstances of the case. This should take care of the very few circumstances in which all of the core services would not be available. Generally, though, competitors should be competing on the same terms, with the same list of core services that they are required to provide.

5. A number of commenters proposed various services to be included on the list of supported services, including access to directory assistance, emergency assistance, and advanced services. Although the delivery of these services may require a local loop, do loop costs accurately represent the actual cost of providing core services? To the extent that loop costs do not fully represent the costs associated with including a service in the definition of core services, identify and quantify other costs to be considered.

Loop costs are simply one of the costs involved in providing core services. They are the costs that vary the most significantly geography-by-geography. The components of loop costs other than distribution and feeder facilities are: Accounting, Advertising and Marketing, Billing, Common Costs, Directory Assistance, Employee Support, Engineering and Motor Vehicle, General Purpose Computer, Information

Systems, Miscellaneous (including utilities, repair, operating rents, etc), installation, Nonvolume Sensitive Expense, Nonvolume Sensitive Investment, Official Company Services, Operator Services, Repair and Maintenance, Sales, Secondary Investment (furniture, office equip, land, bldg), Shared Expenses, Testing, and White page listing.

However, other costs related to loop costs also need to be included in determining the actual cost (or proxy cost) of providing core services. Each state jurisdiction should be free to define Universal Service in a way consistent with the best interests of its consumers. When it does so, however, it must find a mechanism to support the increased costs of the additional services. For example, California includes five free directory assistance calls in its definition of basic residential access but Ohio does not. The Cost Proxy Model can be applied to estimate these types of cost differences. In California, the CPM determined the cost of five DA calls to be \$1.02. Other non-loop cost differences that could be included in universal service and their respective costs are:

Local Usage	\$1.85/line/month
Service Establishment	0.37
Operator Assistance	0.12
White Page Listing	0.34

(Service establishment is also called non-recurring or installation charges which are not fully recovered in the service connection charge.) The Cost Proxy Model has calculated the total loop costs for universal service as defined in California to be on average \$26.81 including a reasonable portion of shared and common costs. As noted above, the loop costs may vary widely in different geographic areas.

Each state should be free to require carriers to provide different core services, e.g. some states have only measured local service whereas others like California require both a measured and flat-rated local service alternative. Pacific's Cost Proxy Model can accommodate these differences if the core universal services vary state-by-state.

### **Schools, Libraries, Health Care Providers**

6. Should the services or functionalities eligible for discounts be specifically limited and identified, or should the discount apply to all services?

Service providers should be allowed voluntarily to discount all services they wish to market to schools, libraries and health care providers. However, the use by schools, libraries and health care providers of purchase credits received from the Universal Service/Federal Education Fund should be restricted to telecommunications transport services. Such services consist of those services whose revenue is subject to the Commission's education/library/health care levy or surcharge, and are, in the main, services with recurring charges, rather than infrastructure <sup>4</sup> In limiting the services/functionalities eligible for discounts to the services subject to this levy or surcharge, the Commission will obviate cross-subsidization of other services which are not subject to either the levy/surcharge or active regulation. Thus, schools, libraries

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<sup>4</sup> The states, or individual school districts or other local governing bodies, will be responsible for funding the deployment of infrastructure such as inside wire and hardware as well as content, software, training and systems support.

and health care providers<sup>5</sup> may not use funding credits to purchase such services as inside wire or enhanced/information services such as Internet service because they are unregulated services and thus not subject to Commission levy or surcharge.

7. Does Sect. 254(h) contemplate that inside wire or other internal connections to classrooms may be eligible for universal service support of telecom services provided to schools and libraries? If so, what is the estimated cost of the inside wiring and other internal connections?

No, because inside wire is deregulated. Section 254(e) states that only “eligible telecommunications carriers” may receive support from the fund. Accordingly, it does not appear that the drafters of the Act contemplated that telecommunications revenue levies or surcharges would be applied to non-telecommunications services notwithstanding the importance of infrastructure and other elements of a total system solution. The Commission does not regulate inside wire, and has made it a competitive service open to provision by anyone (subject to local building codes) by defining the terminus of telecom services at a specific Minimum Point of Entry (“MPOE”). System elements on the customer’s side of the MPOE are not regulated, and thus no longer are

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<sup>5</sup> We note that not all health care providers should be eligible for purchase credits or other discounts. The industry represents a wide spectrum of “not for profit” and “for profit” service providers. Ideally, the Commission should narrow the recipients to non-profit providers with a demonstrated need for funding. We believe Section 254(h)(1)(A)’s limitation of eligibility for funding to “health care providers for rural areas” and its requirement only of reasonably comparable rates for services to rural health care providers as to urban customers, dictate only that rural health care providers not be charged more than other customers. Thus, we assume the Commission will not interpret Section 254(h) to require blanket discounts to health care providers, especially to those without economic need.



considered telecommunications services. If inside wire were included in the definition of universal service, arguably all vendors of inside wire -- including electricians and others -- would have to be subject to universal service obligations in order for the program to be fair. Because this result is untenable, inside wire must be excluded. We have no estimate of the cost of providing inside wire to all classrooms in the nation, but observe that the total cost includes numerous elements not considered by anyone to be associated with telecommunications per se; e.g., placement of conduit into building walls, asbestos removal and clean-up, and the like

8. To what extent should the provision of 706 and 708 be considered by the Joint Board and be relied upon to provide advanced services to schools, libraries and health care providers?

The Joint Board may "consider" and "rely upon" both Section 706 (relating to advanced telecommunications incentives) and Section 708 (recognizing the National Education Technology Funding Corporation), although neither provision appears to confer jurisdiction -- e.g., over unregulated services -- where none otherwise exists. The National Education Technology Funding Corporation, as described in the Act, could best provide funding assistance to schools and libraries by establishing and administering a system of purchase credits, funded by a surcharge on retail interstate telecommunications revenue and other sources suggested in Section 706(c)(1), via which all eligible institutions could receive direct purchasing power for use in the purchase/lease of any actively regulated telecommunications service. To the degree the Corporation receives funding from sources other than a surcharge against interstate

retail revenues, such funding could be used for grants directed at other (unregulated) service components, including infrastructure such as inside wire, staff development and training.

9. How can universal service support for schools, libraries and health care providers be structured to promote competition?

Universal service for schools, libraries and health care providers can be structured to best promote competition by using the Universal Service/Federal Education Fund to place purchasing power in the form of purchase credits, directly into the hands of individual schools, libraries and health care providers. With these credits, schools, libraries and health care providers can exercise maximum freedom to purchase/lease what they want, when they want it, and from whom they want it. Since the purchase credits represent a claim on the Education Fund, the providers will compete for the purchase credits just as they do for cash. Placing purchasing power in the hands of users will attract market entrants, and allow open competition market dynamics to "govern" the flow of commercial interchange. Other suggested methodologies, such as setting up a schedule of specific discounts, may stifle market entry and possibly even produce prices that are higher than a free market approach might ultimately produce. Moreover, a traditional regulatory approach will exact a heavy administrative overhead cost on both the Commission and the carriers due to the need for complex proceedings regarding cost formulae, discount schedules and allowable services -- none of which would be required if our recommendation is

adopted. The simplicity of our proposal is even more evident when one examines another program in which Pacific is engaged which facilitates the provision of discounted service to schools. Pacific and another LEC, by agreement, split the cost of the discount the latter gives to schools. The arrangement is fairly complicated even though it only involves two carriers and a fairly small number of schools: Pacific receives all of the LEC's toll revenues, in exchange for access payments. Pacific then splits with the LEC the toll revenues that the LEC loses by virtue of providing discounted toll service to schools in its area. This requires that the LEC 1) track the number of toll calls the covered schools place, 2) calculate the revenues from these calls at the discounted rate, 3) calculate the revenues it would have derived from these calls at the non-discounted rate, 4) determine the difference between items 2 and 3. If such a plan were continued under a new universal service/education plan which required discounting and compensation from a fund, a carrier would have to engage in the foregoing steps, and also 5) file for compensation from the fund for the difference between items 2 and 3, and 6) maintain audible records reflecting toll volumes, costs, and actual prices at given points in time. While workable on a small scale as in our example, if required of every carrier in the nation and for every school in the nation, this effort would produce a level of administrative burden that might cause the system to collapse of its own weight. Our purchase credits model, on the other hand, does not require any of the foregoing steps. Rather, an eligible institution is allowed credits based on a formula which varies only by number of students (or patients), high cost geography, and economic disadvantage. The institutions themselves, with purchase

credits in hand, "calculate" the amount of services they can afford given their allocation. The carriers simply redeem the credits from the fund for cash. This arrangement diffuses administrative responsibility out among a multitude of players, rather than centralizing it, and creates far less overall burden.

In addition, we propose that eligible institutions be allowed to "bank" their purchase credits for up to one year, so that institutions without the infrastructure, hardware, software, training or support to make use of telecommunications transport services have time to implement these necessary components to an overall technology plan.

10. Should the resale prohibition in Section 254(h)(3) be construed to prohibit only the resale of service to the public for profit, and should it be construed so as to permit end user cost-based fees for services? Would construction in this manner facilitate community networks and/or aggregation of purchasing power?

While it may be difficult, if not impossible, to police a system of complex use prohibitions, we believe the rules, at a minimum, should specify that for-profit sales are prohibited. We support community network aggregation for internal uses and not-for-profit sharing of services, and believe the Commission should interpret Section 254(h)(3) to permit such not-for-profit activity that may help "leverage" an institution's resources in the community. We also support the charging of end-user fees, as long as they are used to maintain, support or improve the facilities/services purchased through the Universal Service/Federal Education Fund, and not to generate profits.

11. If the answer to the first question in "10" is "yes," should the discounts be available only for the traffic or network usage attributable to the educational entities that qualify for the Section 254 discounts?

Yes, but there is no easy way to police such a limitation.

12. Should discounts be directed to the states in the form of block grants

No. They should be directed to schools on an "a+bx" basis, where "a" equals a minimum allotment per school and library, and "b" represents a variable amount dependent of the number of "x" -- students (Average Daily Attendance) -- in the school. We defer to the library and health care communities to determine the appropriate methodologies for applying the "bx" formula to their respective constituencies. For eligible health care providers, the "bx" portion of the formula might be based on average daily bed census or capitated patient population

13. Should discounts for schools, libraries and health care providers take the form of direct billing credits for telecommunications services provided to eligible institutions?

Yes. As described above, the credits could take the form of electronic credits or coupons which could be used to purchase services. The telecommunications service provider would then redeem these credits from the Fund for cash.

14. If the discounts are disbursed as block grants to states or as direct billing credits for schools, libraries and health care providers, what, if any, measures should be implemented to assure that requests for discounts are used for their intended purposes?

The Commission should require that entities redeeming the credits (i.e., schools, libraries or health care providers) submit a sworn statement by a person with authority to bind the institution itemizing the services purchased using the credits. Then, if it is later determined that the credits were used improperly, the Fund administrator can determine what actions to take, e.g. impose fines, forfeitures or penalties. The Universal Service/Federal Education Fund administrator should be or some responsibility in verifying that the credits are being redeemed for eligible telecommunications transport services, but the overall responsibility for ensuring that institutions use their credits appropriately should rest with the institutions -- and their local governing bodies-themselves.

15. What is the least administratively burdensome requirement that could be used to ensure that requests for supported telecommunications services are bona fide requests within the intent of 254(h)?

See response to question 14

16. What should be the base services prices to which discounts to schools and libraries are applied: (a) TSLRIC; (b) SRIC; (c) best commercially-available rate; (d) tariffed rate; (e) rate established through a competitively-bid contract in which schools and libraries participate; (f) lowest of some group of the above; or (g) some other benchmark? How should the best commercially-available rate be ascertained, in light of the fact that many such rates may be established pursuant to confidential contractual arrangements?

First, neither “a” nor “b” are appropriate because these cost methodologies are used to determine costs, not prices. The Telecommunications Act requires discounts on prices charged to educational institutions. Thus the appropriate basis of a discount is the difference between the compensation provided by the institution and the tariffed rate, not the cost or a cost substitute for the service. Second, in some areas, the tariffed price (“d”) may be the only way in which certain services are available, so it must always be taken into consideration where it applies. Third, use of competitively-bid contracts (“e” above) could yield low prices which are not in fact the best value, in terms of the combination of price, service, quality and other intangibles. We propose that the institutions themselves be allowed to judge whether or not the discounted price offered by prospective providers is the best available considering all relevant “value” factors. In most cases, they could use as the benchmarks the pricing available via state master purchasing agreements, which -- in many cases -- is probably at or near the “best commercially-available rate.” The competitive market will produce the best rate, which will then be reduced by the amount of the purchase credit to produce the effective cost to the purchaser. The Commission could easily audit or resolve disputes, using whatever benchmark seems most appropriate in the specific situation.

17. How should discounts be applied, if at all, for schools, libraries and rural health care providers that are currently receiving special rates?

If the Commission implements our proposal to allocate purchasing credits directly to eligible institutions, those already receiving special rates could use the credits as payment for their existing services or to purchase additional services at the existing, discounted rates. Where the institutions use purchase credits to pay for existing services, the carriers receiving the credits should be allowed to redeem the credits for cash, just as they would if the purchase credits were used to fund new purchases.

18. What states have established discount programs for telecommunications services provided to schools, libraries and health care providers? Describe the programs, including the measurable outcomes and the associated costs.

At a broad level, the State of California facilitates discounted pricing to schools by allowing customized contracts to be offered at a lower rate of return above cost than is required of commercial contracts in general. Beyond that, it has approved a (provisional) Pacific Bell tariffed discount to libraries and educational institutions called Knowledge Network ISDN (KN-ISDN). This service allows up to five lines of ISDN service at any eligible institution to receive unlimited local usage for a fixed price. The tariff has only been in effect for a few months, hence no measurable outcomes have been discerned.

Pacific Bell also has in effect a master purchasing contract with the State of California which offers exceptional pricing on a wide array of services. All public library



and educational institutions (as well as governmental agencies) are able to purchase services from Pacific Bell under the aegis of this agreement.

Pacific Bell also offered a 100% discount on non-recurring and recurring charges for high speed digital transport services used by health care and educational institutions engaged in special applications research, for a period of up to three years. The program, called the California Research and Education Network (CalREN) program, enabled 385 educational institutions to experiment with the value of ISDN, Frame Relay, SMDS and other high speed information transport technologies. The program has now expired, but consumed \$25 million. The flagship of Pacific Bell's education discount programs is called Education First. This program offers public and not-for-profit private K-12 institutions, libraries and community colleges a 100% discount on the installation and twelve months of recurring service rates and usage for up to five lines of ISDN used for telelearning or telecomputing applications (including Internet access). In effect since December of 1994, approximately fourteen hundred eligible institutions in Pacific Bell's operating area have installed ISDN service under the terms of this program, and another 1000-odd applications are currently being processed. Enhancements planned for this program include (1) an extension of the application deadline from 12/31/96 to 12/31/97 (filed July 8, 1996), and (2) an expansion of the available technologies to include Frame Relay and Primary Rate ISDN (PRI). It is still premature to suggest statistically significant measurable outcomes, but users of the program -- which includes free training seminars on both technology and learning applications -- report improved student interest as well as strong community support of